

THE 2006 ECONOMIC IMPACT OF TRAVEL & TOURISM IN INDIANA

A Comprehensive Analysis

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I. Methodology Overview

This study estimates the economic benefits of travel & tourism to Indiana. For the purposes of this report, travelers are defined as either a) people who made an overnight trip, or (b) people who traveled in excess of 50 miles for a day-trip. In addition, this report accounts for international visitor spending in Indiana.

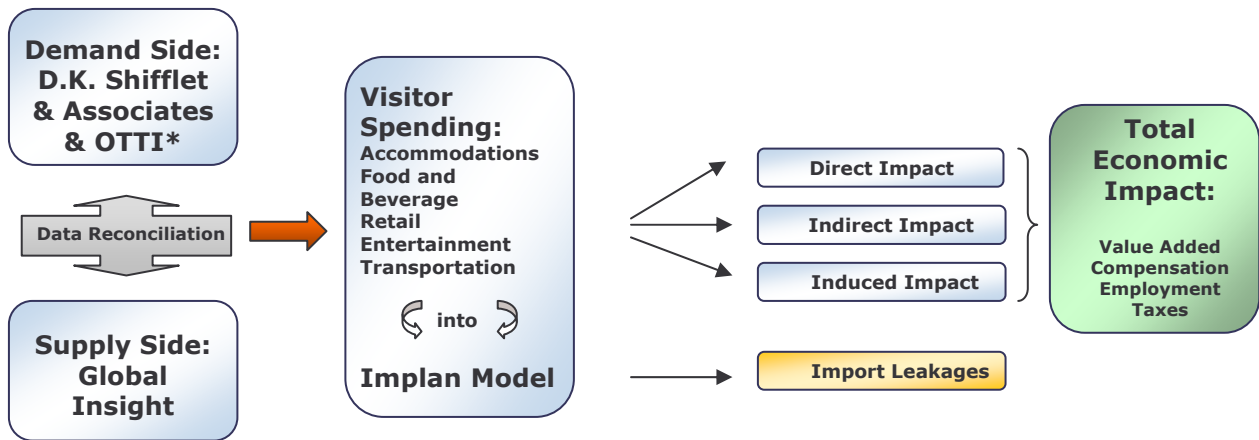
The total economic impact of travelers is separated into three distinct elements: direct, indirect, and induced. The *direct* impact represents the value added¹ of those sectors that interact directly with the visitor. The *indirect* impact represents the benefit to suppliers to those direct sectors, which would include, for example, Indiana-based food suppliers to a restaurant. The *induced* impact adds the impact of tourism-generated wages as they are spent in the Indiana economy. The image of the iceberg represents the various impacts of tourism. Industries that are part of the direct tourism sector represent the impact that is visible above the surface of the water. Below the surface, however, traveler spending generates wages, employment, and taxes in a host of supporting industries. These additional unseen elements are critical to understanding the full economic impact of tourism in Indiana.



The economic impacts reported in this study are based on traveler spending as reported in D.K. Shifflet & Associates' *PERFORMANCE/Monitor*SM travel survey and Office of Travel and Tourism Industries data on international visitation. Global Insight cross-checked and augmented these data with its own 4-digit NAICS database on sales and employment by sector. The IMPLAN Input-Output economic impact model for Indiana was used to estimate the direct, indirect, and induced impacts.

Traveler spending exceeds the direct impact. This is because not all goods and services purchased by travelers are supplied by firms located in Indiana. The IMPLAN model accounts for import leakages to suppliers outside of Indiana.

¹ Value added of an industry is equal to the sum of wages, taxes, profits, and capital depreciation.



*OTTI: Office of Travel and Tourism Industries, U.S. Department of Commerce

II. Key Results

A. EXECUTIVE SUMMARY

Spending by travelers in Indiana totaled \$10.36 billion in 2006.

- In 2006 travelers spent \$1.40 billion on lodging, \$2.40 billion at restaurants, and \$6.56 billion on a broad range of goods and services including transportation, entertainment, and shopping. Total spending by travelers in Indiana grew by a healthy 7.8% compound annual growth rate (CAGR) from 2004-2006.
- The economic impact (Gross State Product) of these expenditures totaled \$10.51 billion in 2006. This includes \$5.88 billion in direct economic impact, \$2.01 billion in indirect economic impact (supplier effect), and \$2.62 billion in induced economic impact (income effect). Tourism GSP grew by an impressive 8.7% CAGR from 2004-2006.

Traveler spending supported 257,785 jobs and \$6.74 billion in wages in 2006.

- Traveler spending supported 257,785 jobs in Indiana in 2006, with a 4.5% CAGR from 2004-2006. Of these, 181,637 were directly employed by tourism sectors. Tourism generated an additional 30,003 indirect jobs and 46,146 induced jobs.
- Nearly \$3.88 billion in wages were generated as a direct result of tourism. An additional \$2.86 billion is attributed to indirect and induced wages. Total wages grew by a 7.5% CAGR from 2004-2006.

Travelers generated federal, state, and local tax revenue totaling \$2.13 billion in 2006.

- In 2006, spending by travelers in Indiana generated \$1.66 billion in federal taxes, \$342.5 million in state taxes and \$125.9 million in local taxes. Total tax revenues from tourism grew by a 4.8% CAGR from 2004-2006. County occupancy taxes alone paid by travelers totaled \$72.80 million.

- Tourism sales tax receipts tallied \$62.2 million in 2006.

In 2006, domestic markets comprised 95% of total visitor spending in Indiana with international markets comprising the remaining 5%.

- The lion's share of spending in Indiana is generated from domestic visitors. \$9.86 billion of the \$10.36 billion in spending comes from domestic sources. Only \$495 million comes from international visitors. Spending by domestic visitors grew by 7.8% CAGR from 2004-2006, while international visitors grew by 8.4% in the same period.

Indiana Tourism Economic Impact Summary

2006

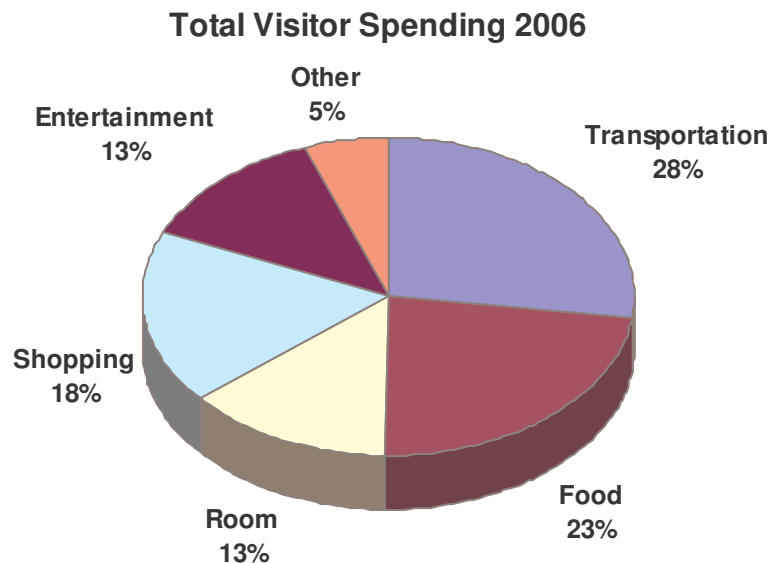
Total Visitor Spending (\$)		10,358,591,697		
Domestic		9,863,560,000		
International		495,031,697		
State & Local Taxes (\$)		468,349,266		
Federal Taxes (\$)		1,658,811,466		
Total Taxes (\$)		2,127,160,732		
	Direct	Indirect	Induced	Total
Gross State Product (\$)	5,875,006,540	2,010,577,588	2,623,565,870	10,509,149,998
Jobs	181,637	30,003	46,146	257,785
Wages (\$)	3,879,858,362	1,191,111,211	1,666,398,185	6,737,367,758

B. VISITOR SPENDING - STATE

Economic impact analysis begins with the demand side. That is, what are visitors to and within the State of Indiana spending on goods and services? It is this spending that generates all economic impacts as measured by production, wages, jobs, and taxes.

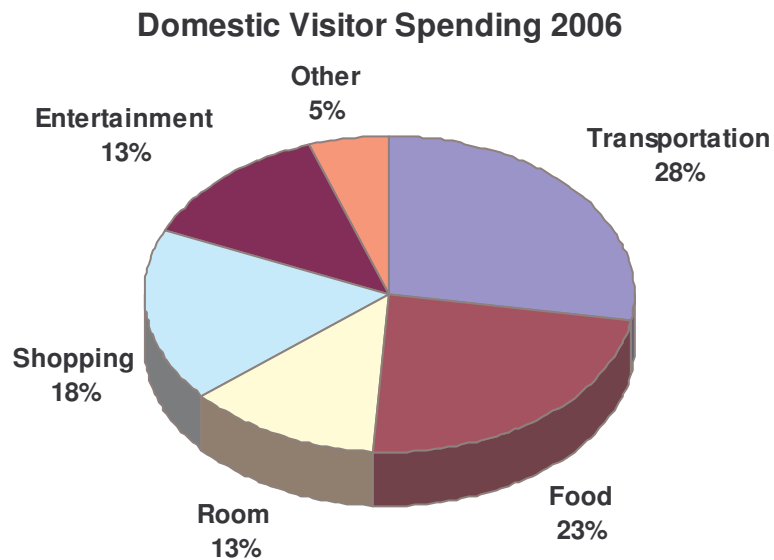
Visitor spending tallied \$10.36 billion in 2006. Transportation is the top category for visitor spending, including tolls, aviation services, taxis, rental cars, etc. Spending on food, including restaurants and bars as well as grocery stores, comes in a close second.

Total Visitor Spending 2006							
(\$ millions)	Transportation	Food	Room	Shopping	Entertainment	Other	Total
Total	2,815	2,397	1,397	1,862	1,319	569	10,359
2004-2006 CAGR	15.1%	7.8%	1.6%	3.4%	7.8%	7.3%	7.8%



The vast majority of visitor spending in Indiana—over \$9.86 billion—comes from U.S. residents. The remaining \$495 million of tourism dollars comes from international visitors to the State.

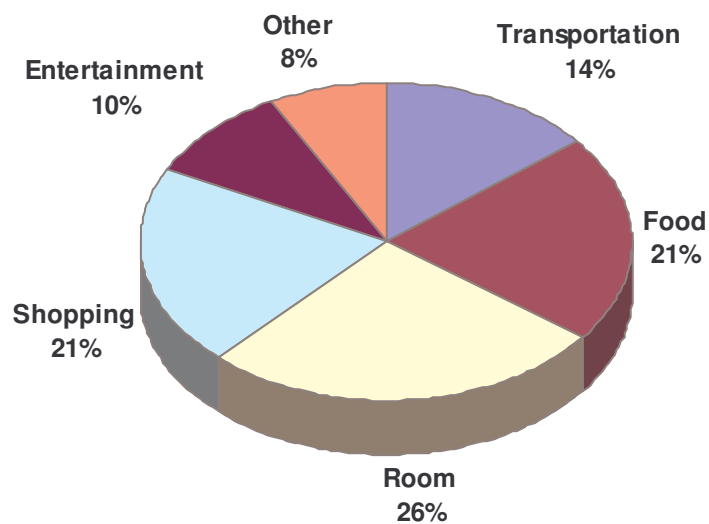
Domestic Visitor Spending 2006							
(\$ millions)	Transportation	Food	Room	Shopping	Entertainment	Other	Total
Total	2,745	2,293	1,264	1,760	1,271	531	9,864
2004-2006 CAGR	15.3%	7.8%	1.2%	3.1%	7.7%	6.0%	7.8%



International Visitor Spending 2006

2006	Transportation	Food	Room	Shopping	Entertainment	Other	Total
Total	70	104	133	101	48	38	495
2004-2006 CAGR	6.5%	7.0%	4.7%	8.6%	11.1%	31.7%	8.4%

International Visitor Spending 2006

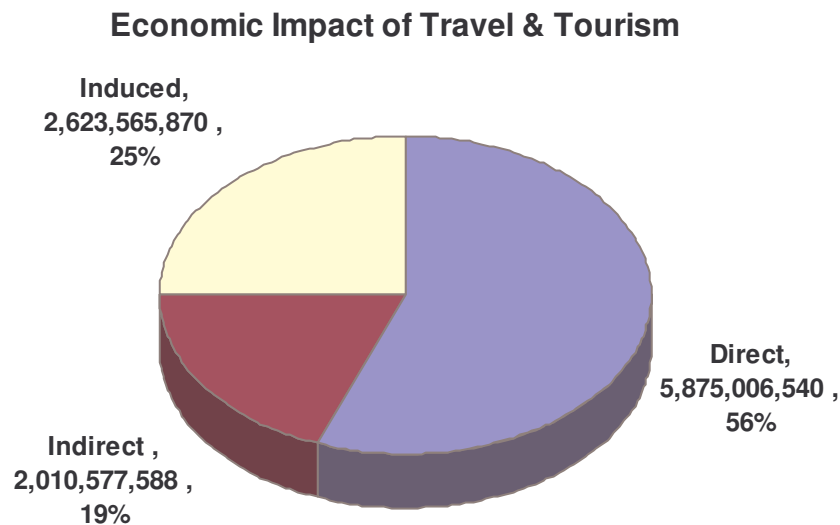


III. Detailed Results State of Indiana

A. ECONOMIC IMPACT OF TOTAL TRAVEL

At the highest level, total travel includes visitors from both domestic and international origins. The spending of these visitors (\$10.36 billion) in 2006 translates into Gross State Product (GSP), which is the value of all goods and services produced in the State (\$10.51 billion in 2006). The difference between spending and GSP is imports.

Total tourism (direct, indirect, and induced) generated 4.7% of the State's GSP in 2006. *Direct* GSP, which is generated by industries directly providing goods and services to the visitors, tallied \$5.88 billion, while the *indirect* suppliers impact \$2.01 billion. An additional \$2.62 billion of *induced* GSP was generated as tourism wages were spent in Indiana.



B. TOURISM GROSS STATE PRODUCT

It is evident that tourism is important to many more sectors than simply lodging, entertainment, and transportation. Wholesale trade produces \$312 million of GSP as a result of tourism. The Finance, Insurance, and Real Estate sector benefits with \$821 million of tourism-generated GSP. Tourism GSP is growing faster with an 8.7% compound annual growth rate from 2004-2006, while the state GSP is growing at 4.2%. Tourism's healthy growth is resulting in a rising share of state GSP.

Tourism Gross State Product: Total Travel				
2006				
Industry	Direct	Indirect	Induced	Total
Agricultural	-	26,390,829	10,883,377	37,274,206
Mining	-	4,099,289	2,108,072	6,207,360
Utilities	-	99,343,728	75,073,192	174,416,920
Construction	-	46,173,604	12,730,182	58,903,786
Manufacturing	36,121,484	244,055,685	195,034,933	475,212,102
Wholesale Trade	-	169,397,184	142,363,104	311,760,288
Air Transport	551,675,392	1,882,580	2,462,890	556,020,862
Other Transport	903,575,872	159,620,792	57,325,752	1,120,522,416
Retail Trade	1,302,017,408	48,414,592	390,637,348	1,741,069,348
Communications	-	51,411,833	56,988,897	108,400,729
Finance & Insurance	-	480,613,687	340,208,598	820,822,285
Business Services	-	453,254,728	141,583,005	594,837,733
Amusement & Recreation	837,554,304	27,152,124	46,214,393	910,920,821
Accommodations	880,477,120	5,641,213	13,530,401	899,648,734
Eating and Drinking Places	1,056,667,904	39,590,376	106,192,640	1,202,450,920
Other Services	306,917,056	60,903,002	553,898,666	921,718,724
Owner-occupied Dwellings	-	-	6,924,757	6,924,757
State & Local Government	-	92,632,344	469,405,664	562,038,008
Federal Government	-	-	-	-
Total	5,875,006,540	2,010,577,588	2,623,565,870	10,509,149,998
2004-2006 CAGR	8.7%	9.1%	8.6%	8.7%

C. TOURISM EMPLOYMENT

Tourism is even more important to the State in terms of jobs. Just over 8.7% of jobs in the State are generated by tourism activity. Tourism (direct) comprises 6.1% of total non-farm employment jobs, while the remainder are indirectly generated via supplier linkages and induced impacts. Tourism employment in 2006 is 257,785.

Tourism Employment: Total Travel				
2006				
Industry	Direct	Indirect	Induced	Total
Agricultural	-	1,182	449	1,630
Mining	-	59	27	86
Utilities	-	287	217	504
Construction	-	900	248	1,148
Manufacturing	425	2,248	1,782	4,455
Wholesale Trade	-	1,679	1,411	3,090
Air Transport	5,065	17	23	5,105
Other Transport	25,489	1,586	514	27,589
Retail Trade	46,987	876	7,071	54,934
Communications	-	544	560	1,104
Finance & Insurance	-	4,578	3,632	8,210
Business Services	-	9,907	2,935	12,842
Amusement & Recreation	17,251	1,035	1,239	19,526
Accommodations	23,340	150	359	23,848
Eating and Drinking Places	53,046	1,987	5,331	60,364
Other Services	10,035	1,770	13,232	25,037
Owner-occupied Dwellings	-	-	1,045	1,045
State & Local Government	-	1,198	6,071	7,268
Federal Government	-	-	-	-
Total	181,637	30,003	46,146	257,785
2004-2006 CAGR	4.2%	5.6%	4.9%	4.5%

Direct tourism employment is shown in the following table in comparison with direct employment in other key industries in Indiana. Tourism (direct) comprises 6.1% of total private- and public-sector employment in the community and is the number five job source. Note that in following table, travel and tourism employs 181,637 people. These jobs are not netted out of the other categories. One way of reading this table is to say that "Travel and tourism as a sector employs 181,637 people. The Retail Trade industry, in total, including tourism-related jobs, employs 330,000 people."

Indiana Employment Ranking

Travel and Tourism Sector:
181,637 Jobs, 6.1% of Total

2006			
Ranking	Industry	Employment	% of Employment
1	Manufacturing, Durables	414,925	14.0%
2	Retail Trade	330,000	11.1%
3	Health Care and Social Assistance	320,225	10.8%
4	Accommodation and Food Services	237,400	8.0%
5	Administrative and Waste Services	160,742	5.4%
6	Manufacturing, Nondurables	150,917	5.1%
7	Construction	150,500	5.1%
8	Wholesale Trade	123,325	4.1%
9	Transportation and Warehousing	117,824	4.0%
10	Other Services	111,175	3.7%
11	Finance and Insurance	102,900	3.5%
12	Professional, Scientific, and Technical Services	93,167	3.1%
13	Educational Services	66,125	2.2%
14	Arts, Entertainment, and Recreation	43,167	1.5%
15	Information	39,975	1.3%
	Other Industries	85,459	2.9%
	State & Local Government	426,483	14.3%
Total	Total Non-farm (public & private)	2,974,308	100.0%
	Travel & Tourism	181,637	6.1%

Note: the ranking in this table is not comparable to the ranking in last year's report due to a change in the way the industries are broken out. However when comparing the same industry detail to private-sector employment using the same breakouts as in last year's report, tourism comprises 6.9% of total private-sector employment in the community and continues to remain the number six job source.

D. TOURISM WAGES

Tourism-generated wages exceeded \$6.74 billion in 2006, or 6.1% of all wages in Indiana. The majority of this sum - \$3.88 billion - was in direct tourism sectors.

Tourism Wages: Total Travel				
\$, 2006				
Industry	Direct	Indirect	Induced	Total
Agricultural	-	9,212,472	3,829,529	13,042,001
Mining	-	1,557,145	865,473	2,422,617
Utilities	-	31,707,060	23,960,752	55,667,812
Construction	-	39,055,896	10,767,812	49,823,708
Manufacturing	19,731,066	148,278,657	122,638,691	290,648,414
Wholesale Trade	-	94,929,544	79,779,744	174,709,288
Air Transport	336,938,912	1,149,797	1,504,224	339,592,933
Other Transport	616,915,776	123,009,019	43,979,596	783,904,391
Retail Trade	964,677,888	30,133,456	242,971,471	1,237,782,815
Communications	-	28,148,468	29,063,330	57,211,798
Finance & Insurance	-	162,439,578	137,684,052	300,123,630
Business Services	-	374,197,740	116,853,848	491,051,588
Amusement & Recreation	480,554,656	22,303,514	31,293,030	534,151,200
Accommodations	500,038,944	3,203,747	7,684,161	510,926,852
Eating and Drinking Places	752,593,600	28,197,566	75,633,888	856,425,054
Other Services	208,407,520	43,583,645	477,573,764	729,564,929
Owner-occupied Dwellings	-	-	6,924,757	6,924,757
State & Local Government	-	50,003,908	253,390,064	303,393,972
Federal Government	-	-	-	-
Total	3,879,858,362	1,191,111,211	1,666,398,185	6,737,367,758
2004-2006 CAGR	7.3%	8.2%	7.5%	7.5%

E. TOURISM TAX IMPACT

The economic impact of tourism also translates into tax revenue at the federal, state, and local levels. As shown below, tourism generated \$2.13 billion in total taxes in 2006. We estimate that \$1.66 billion went to the federal government; \$342.5 million to the State and \$125.9 million went to local / county governments.

If tourism did not exist in Indiana, taxing authorities around Indiana would need to generate an average of \$190 in State & Local taxes from each of the 2,468,330 households in Indiana, in order to maintain the current level of tax receipts.

Social insurance tax and personal income tax are the largest source of revenue at the federal level. They generated \$670 million and \$653 million respectively in 2006. Personal income tax also contributed \$132.8 million at the state level in 2006. County occupancy tax is the largest sources of local tax revenue with \$72.8 million.

Federal, State, and Local Taxes Paid: Total Travel	
Tax Revenues from Tourism	
Federal Government	
Corporate Income	147,156,746
Personal Income	653,126,914
Excise & Fees	188,181,607
Social Security & Other Taxes	670,346,199
Federal Total	1,658,811,466
State Government	
Corporate Income	64,614,380
Personal Income	132,771,954
Sales	62,151,550
Excise & Fees	62,569,278
Social Security & Other Taxes	20,362,372
State Total	342,469,535
Local Government	
Occupancy Tax	72,804,833
Property Taxes	11,362,046
Excise & Fees	41,712,852
Local Total	125,879,731
Grand Total	2,127,160,732
2004-2006 CAGR	4.8%